

FISCAL NOTE

Bill #: HB0632

Title: Performance audit of certain schools

Primary Sponsor: Sinrud, J

Status: As Introduced

Sponsor signature	Date	David Ewer, Budget Director	Date
-------------------	------	-----------------------------	------

Fiscal Summary

	<u>FY 2006 Difference</u>	<u>FY 2007 Difference</u>
Expenditures:		
General Fund	\$165,000	\$165,000
Revenue:		
General Fund	\$0	\$0
Net Impact on General Fund Balance:	(\$165,000)	(\$165,000)

- | | |
|---|--|
| <input type="checkbox"/> Significant Local Gov. Impact | <input checked="" type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts |
| <input type="checkbox"/> Dedicated Revenue Form Attached | <input type="checkbox"/> Needs to be included in HB 2 |

Fiscal Analysis

ASSUMPTIONS:

Legislative Audit Division (LAD)

1. The Legislative Audit Division will use the current performance audit function and hire additional staff to address the increased workload.
2. The audits will be rotated among all staff.
3. The size of the district, number of students, facility size, and the scope of the audit affect each individual audit approach.
4. Audit hours will range from hundreds of hours to thousands of hours.
5. Estimated additional resources needed to complete the audit requests are 3 FTE per year.
6. Personnel costs for 3 FTE approximate \$128,100 per year.
7. The office package costs for 3 FTE approximate \$5,001 per year.
8. The technology costs for 3 FTE approximate \$3,819 per year.
9. Estimated travel costs, at 26 weeks, associated with 3 FTE approximate \$28,080 per year.
10. At a direct productivity rate of 72% per FTE, billable audit hours for 3 FTE approximate 4,493 audit hours per year.
11. Assume average audit hours per issue or concern total 750 hours.
12. Three FTE could conduct six audits per year.

Fiscal Note Request HB0632, As Introduced
(continued)

Office of Public Instruction (OPI)

13. Performance audits and financial-compliance audits are different in their scope.
14. Financial-compliance audits are already required for school districts. Any school district that annually receives more than \$200,000 in all funding sources combined must have an annual financial-compliance audit, and any school district that spends more than \$500,000 in federal funding annually must have a financial-compliance audit that complies with federal OMB Circular A-133 on an annual basis. The Office of Public Instruction receives and reviews the audit reports for these school districts. Districts that receive less than \$200,000 in all funding sources combined must have a financial review done every 4 years.
15. The Office of Public Instruction does not currently have plans to request any performance audits of the Legislative Auditor.
16. Federal education programs conduct monitoring visits in Montana each year. The most recent monitoring visits have been tied to the federal Title IIA program and Impact Aid Program. It is unlikely that the Office of Public Instruction would request a federal program review by the Legislative Auditor given that these programs are already monitored by the US Department of Education.

FISCAL IMPACT:

Legislative Audit Division (LAD)

	<u>FY 2006</u> <u>Difference</u>	<u>FY 2007</u> <u>Difference</u>
FTE	3.0	3.0
<u>Expenditures:</u>		
Personal Services	\$128,000	\$128,000
Operating Expenses	<u>\$37,000</u>	<u>\$37,000</u>
TOTAL	\$165,000	\$165,000
<u>Funding of Expenditures:</u>		
General Fund (01)	\$165,000	\$165,000
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>		
General Fund (01)	(\$165,000)	(\$165,000)

TECHNICAL NOTES:

Legislative Audit Division (LAD)

1. Section 6 appropriates from the general fund to the legislative audit division \$330,000 for the biennium ending June 30, 2007. Since request for audits occur prior to each regularly scheduled legislative session, this funding should become part of the base budget.
2. Section 1 requires each request for a performance audit identify the source and amount of funding, if any. The Legislative Audit Division cannot provide an estimate of funding available from a requester therefore the fiscal note calculations do not include anticipated revenue.
3. Section 1(1). To maintain auditor independence and the constitutional authority of the audit committee, the board of public education, the board of trustees of a school district or the superintendent of public instruction cannot request the audit committee to 'direct' the legislative

Fiscal Note Request HB0632, As Introduced

(continued)

auditor to complete a performance audit. These entities may request the audit committee consider the legislative auditor complete an audit.

Office of Public Instruction (OPI)

4. It appears that HB 632 appropriates \$330,000 to the Legislative Audit Division regardless of whether its services are requested by a local school district, the board of public education, or the superintendent of public instruction or whether the Legislative Audit Committee approves the conduct of school district audits.
5. Section 1 allows the board of public education, the board of trustees of a school district, and the superintendent of public instruction to request a performance audit either of a single school district or a program impacting multiple school districts. This conflicts with sections 3 and 4, which authorize the board of public education and the superintendent of public instruction only to request audits of a program that impacts multiple schools.